



DEPARTMENT OF THE TREASURY
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OFFICE OF
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The Honorable Susan Collins
United States Senate
Washington, DC 20510

Attention

Dear Senator Collins:

I am responding to your inquiry dated April 7, 2009, on behalf of your constituent, . , a retired public school teacher, has questions about the Making Work Pay Credit and the credit for certain government retirees.

The American Recovery and Reinvestment Act of 2009 (the Act) provides that taxpayers with earned income in 2009 and 2010 may be eligible for the Making Work Pay Credit (section 1001 of the Act) in those years. The credit is the lesser of 6.2 percent of earned income or \$400 for working individuals (\$800 for married couples filing jointly). The credit begins phasing out for taxpayers with modified adjusted gross income over \$75,000 per year for working individuals (\$150,000 for married couples filing jointly).

The Act also provides a special \$250 credit (the retiree credit) for certain government retirees. The retiree credit is available to taxpayers with retirement (unearned) income. However, a taxpayer with both retirement and earned income may qualify for both credits. Taxpayers who qualify for both credits must reduce their Making Work Pay Credit by the amount of their retiree credit (section 1001(c) of the Act).

asks whether he and his wife are disqualified for the Making Work Pay Credit, because he does not have earned income. His retirement income and his wife's earned income total \$68,000 (below the phase out amount for married couples filing jointly). would not qualify for the Making Work Pay Credit if he filed a separate return because he has no earned income. However, if and his wife file jointly, they would qualify for the \$800 Making Work Pay Credit. Because also qualifies for the \$250 retiree credit, he would have to reduce his and

his wife's \$800 Making Work Pay Credit by his \$250 retiree credit, resulting in a Making Work Pay Credit of \$550 (\$800 - \$250). Under those circumstances, the jointly would still receive \$800 in total credits: \$550 Making Work Pay Credit plus \$250 retiree credit.

I hope this information is helpful. Please call _____ at _____ or me at _____ if you have any questions.

Sincerely,

George J. Blaine
Associate Chief Counsel
(Income Tax & Accounting)